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Sessional Committee II

DRAFT REPORT OF SESSIONAL COMMITTEE II OF THE TRADE AND DEVELOPMENT BOARD

Rapporteur: Mr. H. Aschentrupp (Mexico)

Addendum

**AGENDA ITEM 8 : ASSISTANCE TO THE PALESTINIAN PEOPLE**

<u>Speakers</u> :	Secretariat	Islamic Republic of Iran
	Palestine	China
	Syrian Arab Republic	Israel
	Malaysia	Republic of Korea
	Belgium	Norway
	United States	Nicaragua
	Pakistan	Algeria

**Note for Delegations**

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 8 October 1993 at the latest to:

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## Chapter II

### UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

(Agenda item 8)

1. For its consideration of this item, the Board had before it the following documentation:

"Developments in the economy of the occupied Palestinian territory: Report by the UNCTAD secretariat" (TD/B/40(1)/8).

#### Consideration in Sessional Committee II

2. The Chief of the Special Economic Unit, introducing the item, said that the Board's deliberations on this question had acquired special significance in the light of the momentous developments of the past weeks, which the world had witnessed with pleasant surprise and welcomed with great hope. The mutual recognition between Israel and Palestine and the signing of the Declaration of Principles on Palestinian Interim Self-Government Authority constituted milestones in the resolution of conflict between two peoples whose sufferings had preoccupied the United Nations since its inception, and they laid down the foundation for a comprehensive and durable peace. The Declaration of Principles provided the framework for the Palestinian Interim Authority to mobilize efforts towards the revival and reconstruction of the Palestinian economy in the coming years. Such efforts, encouraged and supported by sustained bilateral and multilateral assistance, could pave the way for broader and more ambitious schemes for regional cooperation on an equitable basis.

3. The UNCTAD secretariat's report on recent developments in the Palestinian economy had been prepared in line with the provisions of Conference resolution 146(VI) and did not reflect, in view of document reproduction deadlines, the most recent development which constituted a major transformation in the policy environment affecting the Palestinian economy. It was expected that a number of chronic problems confronting the Palestinian economy would now give way to feasible and satisfactory solutions in the years to come. To this effect, the report provided accurate and timely information on the situation of the Palestinian economy. He highlighted the main findings of the report, with special reference to Gaza Strip, dealing with employment, sectoral performance and macro-economic indicators, as well as environmental problems affecting the Palestinian economy. In accordance with the provisions of the Declaration of Principles, much of the crucial task of policy reform in these and other areas

and the promotion of economic and social development was expected to be shifted to the Palestinian Interim Authority. In this, the moral and material support and cooperation of the international community as a whole was urgently needed.

4. He focused attention on some of the areas which the incipient Palestinian self-governing authority would have to deal with urgently and which would also enable UNCTAD to examine the possibilities for extending further assistance to the Palestinian people, within the context of its mandate and areas of competence.

5. One priority area for urgent action and intensified assistance involved steering Gaza Strip away from the increasingly critical economic and social conditions. Immediate job-creation schemes, infrastructural facilities, enhanced human resource development and social services were all key areas for such action. Other areas that required immediate action and support included: the establishment of an efficient and effective public administration system; mobilization of domestic and external resources and their effective allocation for the revival and sustained development of the economic and social sectors; coordination between donors and more sensitive prioritization of aid and inter-agency coordination, including the establishment of an emergency fund or development finance institutions; promotion of entrepreneurial initiatives; comprehensive reform of the financial sector, including the establishment of specialized development finance institutions to cater to the needs of agriculture, industry, housing, trade and tourism; reform of the tax system; mutually beneficial trade arrangements; development of the tourist sector; rehabilitation and construction of physical infrastructures, including housing, transport and communication, land reclamation, water conservation, public utilities and human resource development; and protection of the environment.

6. The findings emerging from the UNCTAD intersectoral study on prospects for the Palestinian economy, with regard to both immediate action and longer-term prospects, would provide useful substantive background for programmes of assistance to be developed by various donors in support of the efforts of the Palestinian people, in the Palestinian territory as a whole and Gaza Strip in particular.

7. The secretariat looked forward to intensified and constructive cooperation with all interested parties in this regard. He particularly addressed himself to the Israeli and Palestinian authorities, expressing UNCTAD's readiness to further contribute, within the context of its mandate and competence, to the revival and reconstruction of the Palestinian economy, thus helping to lay the foundation of a durable peace.

8. The representative of Palestine said that the report prepared by the UNCTAD secretariat was comprehensive and objective in its treatment of developments in the Palestinian economy, the obstacles facing it as a result of Israeli occupation and the ways of removing these obstacles and improving the living conditions of the Palestinian people. He thanked the secretariat and the Special Economic Unit for their valuable efforts in this respect.

9. The world had witnessed the start of a decisive transformation in the conditions of the region thanks to the signing of the common Declaration of Principles on the transitional phase for the Palestinian territories occupied by Israel, preceded by mutual recognition between the Palestine Liberation Organisation and Israel. This had ushered in a new era based on coexistence instead of war and conflict, and the recognition by each party of the rights of the other. This constituted an encouraging first step towards achieving a just peace with the Palestinian people exercising their national rights, in particular the right to self determination and the creation of their independent state on their national territory.

10. This agreement was an interim agreement to be followed by a definitive phase in which a just and lasting peace would be reached in the Middle East. The interim period was only intended to terminate Israeli occupation in some populated areas. Accordingly, the work of the United Nations and its agencies over the past years relating to the Palestinian people and occupied Palestinian territories would have to continue until the end of the occupation and the liberation of Palestinian territory. The United Nations must continue to assume its responsibilities with regard to the question of Palestine and make an active contribution in the transitional phase in all areas to meet the needs of the Palestinian people in such areas as building their national authority, holding elections and other aspects of the long-standing responsibility of the United Nations towards the question of Palestine, until such time as the Palestinian people secured all their rights in their territory.

11. The main challenge confronting the Palestinian people was to undertake the process of social and economic development after many years of suffering. He hoped that the international community, with the United Nations at the forefront, would play an important role in responding to the basic needs of the Palestinian people at this crucial stage. This would have to include full coordination between the agencies of the United Nations, and participation by different States in building the necessary infrastructure and in developing the Palestinian economy, as well as relieving Palestinian society of the consequences of decades of suffering under occupation. Thus, there was an increased and more significant

responsibility for the Special Economic Unit and UNCTAD as a whole in providing assistance to the Palestinian people.

12. In conclusion, he stated that implementation of transitional autonomy was about to begin, leading to a final stage concerning the final status of the occupied territories and withdrawal of Israeli forces from all occupied territories in accordance with Security Council resolution 242, which all parties considered as the basis for negotiations. The Palestine Liberation Organisation, which had enabled the peace negotiations to begin and to continue and which had signed the Declaration of Principles on Interim Self-Government Arrangements in Washington, was committed to protecting the peace process and ensuring its success at all stages. It was equally concerned with promoting and consolidating Palestinian society in all its aspects as essential preconditions for achieving a just peace in the region and the world.

13. The representative of the Syrian Arab Republic thanked the Special Economic Unit for the information contained in the secretariat report, which exposed the realities of the deteriorating social and economic situation in the occupied Palestinian territories, as well as obstacles placed by the Israeli occupation authorities in the path of the development of an independent economy by the Palestinian people. He supported the conclusions of the report, especially regarding the need for intensified international efforts and effective assistance, in coordination with the Palestinian people, to prevent further deterioration in the occupied Palestinian territory and to revive the Palestinian economy and lay a sound basis for its future development.

14. He noted the importance of the role of UNCTAD as regards its activities in support of the efforts of the Palestinian people and expressed appreciation for the role of the Special Economic Unit and the studies it had prepared. He supported intensification of the Unit's activities, which could make a positive contribution in the future in response to the needs of the Palestinian people. This would in the end enable the latter to exercise full sovereignty over their land and resources and to build a prosperous and advanced economy.

15. The spokesman for the Asian Group (Malaysia) said that a new era had dawned in Palestine with the signing of the historic peace accord for limited Palestinian autonomy in the Gaza Strip and the West Bank town of Jericho. The international community was hopeful that the accord would set the stage for full reconciliation in the Middle East through the achievement of a just, comprehensive and lasting peace between the Arab States, the Palestinians and Israel.

16. Developments in the Palestinian economy during the period under review reflected continued deterioration in the economic and social situation. Restrictive measures had constrained the efforts of the Palestinian people to create an independent economy along with its requisite institutional framework. The international community, which had been conscious of the need for urgent intervention to aid the ailing Palestinian economic and social sectors, should now seize the opportunity that lay before it. In this context, the United Nations had a major role to play. The initiative taken by the Secretary-General of the United Nations to set up a task force aimed at coordinating assistance to the Palestinian people, as well as the pledges of financial support made by developed countries, were welcomed. He hoped that there would be extensive international participation in the economic and social development of the Palestinian territory, which had long languished on account of international neglect.

17. The Asian Group envisaged UNCTAD as an active partner in the overall effort of the United Nations to enable the embryonic entity to revive its economy. In this regard, the findings of the secretariat reports of the past eight years on the issue should be consolidated to provide a comprehensive picture for action by UNCTAD in all areas of its competence.

18. The representative of Belgium, speaking on behalf of the European Community and its Member States, referred to the historic accord between Israel and the PLO and paid tribute to the foresight and courage of Israeli and Palestinian leaders, who, in signing this accord, were moving in a very decisive manner towards peace. He reaffirmed the commitment of the European Community and its Member States to a comprehensive peace and hoped that progress would be made in the framework of other bilateral and multilateral negotiations on future cooperation. The European Community and its Member States would continue to support and participate in international arrangements which would emerge with regard to the accord.

19. The European Community and its Member states already constituted the largest single donor to the occupied territory, and they intended to remain a large donor. Thus, the European Community planned to provide an aid package of 20 million ECU immediately, and much more substantial medium-term assistance would be discussed as soon as the Palestinian institutions were in place. As Chair of the multilateral working group on regional economic development, the European Community and its Member States were ready to contribute to forms of regional economic cooperation. He concluded by stating that the European Community and its Member States wished to take an active part in discussions about the role that the United Nations, including UNCTAD, could play in favour of the Palestinian people in the light of the recent events.

20. The representative of the United States of America said that the subject at hand was an extremely important one which the world was watching very closely. The signing of an agreement between Israel and the PLO was a victory for peace, a triumph which belonged to the Israeli and Palestinian peoples, who had reached out to each other. The task of the international community was to breathe life into the Israeli-Palestinian Declaration, and economic assistance was crucial.

21. As a first step, the United States planned to convene a conference in October to explore how the international community could best support implementation of the Israel-Palestinian agreement on interim self-government arrangements. Foreign and finance ministers from the major regional countries, as well as from potential donor countries, would be invited to discuss means of mobilising resources. World Bank and United Nations representatives would also be included in this discussion. The World Bank was expected to play a major coordinating role in this effort. The United States expected to assemble an initial two-year aid package worth \$250 million. In addition, a task force of Jewish and Arab Americans would be appointed to help develop joint projects to spur private investment in the region.

22. He concluded by stating that a coordinated international effort would be required. Obviously, many donors and many institutions would play key roles. He believed that existing institutions and capabilities should be utilised to the extent possible and to avoid duplication. At this point, it was perhaps premature to discuss any specific role for UNCTAD in this effort, but he very much looked forward to the consultations and meetings that would take place in the weeks and months ahead.

23. The representative of Pakistan thanked the UNCTAD secretariat for its report on assistance to the Palestinian people, which he fully supported. He was concerned that, despite the deteriorating conditions, the Israeli authorities had continued their efforts to increase tax revenue from the Palestinian population, while the sealing of borders had halted the movement of people and goods. Conditions in the Gaza Strip in particular were alarming, and urgent steps were needed to improve the situation there.

24. He agreed with other countries in the Asian Group who wished to see UNCTAD play an important and active role in United Nations efforts to enable the Palestinian people to revive their economy. He concurred with the view of the Asian Group that the secretariat reports of the past eight years should be consolidated to identify the areas where assistance was most required in the occupied Palestinian territories.

25. The representative of the Islamic Republic of Iran affirmed support for the Palestinian people in their efforts to establish a sound economic base. With regard to the statement of the Asian Group, he had no objections to the statement being made, it being understood that his delegation had some reservations on that statement.

26. The representative of China expressed his appreciation for the secretariat report prepared under the item, as well as the introductory statement made by the representative of the secretariat. Only a week earlier, relations between the Palestine Liberation Organisation and Israel had undergone an historic change with their official mutual recognition and the signing of the accords on Gaza-Jericho autonomy. He welcomed the initiation of the peace process and the positive actions taken by both the PLO and Israel. This agreement constituted a major step towards a comprehensive settlement of the question of Palestine, offering hope for peace and creating conditions for the economic and social development of the occupied Palestinian territory.

27. UNCTAD had undertaken much work over many years in preparing analyses and reports on the economic and social situation of the occupied territory. The new peace process would facilitate the work of UNCTAD in this field and generate new demands upon it. UNCTAD could provide further recommendations and technical assistance to the Palestinian people in their efforts to manage their own country, promote economic and social development and improve living standards. He hoped that UNCTAD would contribute to that goal.

28. The representative of Israel welcomed the general tenor of the remarks by the representative of the secretariat, which showed a marked departure from previous oral reports given by the secretariat. However, the secretariat report contained in document TD/B/40(1)/8 was not substantially different from its predecessors and was coloured by what had become a long tradition of political predisposition and one-sidedness. It pursued the long-term psychological goal of demonizing Israel and its policy in the territories. Its judgement was partisan and its treatment of statistical material questionable, incorrect or misleading.

29. Despite the encouraging remarks of the representative of the secretariat, the Special Unit appeared to have been left behind by events. The mutual recognition by Israel and the Palestinians was an event that most countries welcomed as heralding a true, qualitative change in the nature of the relations between the parties. It had caught the Special Unit by surprise, though the peace process in the Middle East had been continuing for some time. The indifference shown by the Special Unit to the achievements of these talks was



indicative of the peculiar perspectives which reigned in the Unit. It should not be forgotten that many of the peoples of the region concerned had even lower per capita incomes than the Palestinians. The involvement of these countries in planning a better future in which all would share was worthy of more than half a page in the report.

30. A further point of concern was the apparently unilateral decision by the Special Unit to engage on a separate study on the status of the environment in the territories. This had never been the subject of a request by the Board, no operative decision had ever been taken by the Board, and it was disingenuous to suggest that it had been. The subject was one on which UNCTAD had only recently embarked, and it was certainly not one in which the Special Unit could claim any competence. Indeed, the same work was apparently being undertaken by UNEP. Moreover, there was a clear contradiction here with the mandate of Cartagena. This digression by the Special Unit was both wasteful of human and financial resources and better dealt with by the bodies authorised and competent to do so.

31. In the new era of peace now dawning in the Middle East, there could no longer be any room for bodies which served a propagandistic purpose. The cultivation of peace, objective analysis and constructive reconciliation, rather than the promotion of a tendentious and politically motivated re-write of history, must now be the order of the day for the UNCTAD secretariat. The time had come for the Special Unit to ring down the curtain on its endeavours, to bow gracefully from the stage and to give way to the professional sectoral bodies whose task it would be to join in building the future.

32. He proposed that a special ad hoc committee be established, including Israel, the Palestinians, the sponsors of the peace process, intending major donors to the task of Middle East reconstruction and the secretariat. It should have as its task the navigation of a transition from the current outdated mandate and one-sided attitudes of the Special Unit to a new and balanced involvement of UNCTAD with all concerned parties, attempting to do constructive work in the field. In this context, he welcomed the cooperation and involvement of UNCTAD's specialised professional units in the massive task which lay ahead. The future economic and political health of the Palestinian body politic, as well as that of all its neighbours, required an accelerated rate of economic growth in the territories, the provision of infrastructure and the development of old and new sectors of production. To be successful, these developments would have to harmonise with projected trends both in the economy of Israel, which for the foreseeable future would remain the major economic partner of the Palestinians, and in the economies of Jordan, Egypt and other Arab States.

33. In conclusion, he stated that an historic and truly profound turning point had been reached in the Middle East. Courage, both personal and political, had been demonstrated by the leaders of Israel and the Palestinians. He called for an end to the anomalies which continued to characterise Israel's relations with UNCTAD. Could the United Nations and UNCTAD put the barren past behind it? Could it put partisan, regional politics aside and demonstrate that it was truly a world organisation, able to play a part in the building of new edifices wherein all might dwell? In Washington the week before, a challenge had been thrown down to the international community. He awaited the response, not least that of UNCTAD, with hope and expectation.

34. The representative of the Republic of Korea said he supported the views stated by the Asian Group. He welcomed the signing of the mutual recognition and self-rule pact between Israel and the Palestine Liberation Organisation. This development constituted a significant step along the road to peace in the Middle East and to international peace. This historic event had occurred as delegations were examining the secretariat report on assistance to the Palestinian people, which was very helpful in understanding the current situation. This debate represented an opportune juncture for a discussion on how the international community could assist the Palestinian people. Economic assistance plans for reconstruction of the self-ruled areas of the Gaza Strip and West Bank were being considered by several countries, including the United States, the European Community, Japan and the Nordic countries, and by international bodies such as GCC and IBRD. In concluding, he recalled his Government's previous grants of \$1 million in scholarships for Palestinian students. He wished to record that his Government intended to participate further in the provision of economic assistance to the region when requested, and it would be considering the best avenue for such assistance.

35. The representative of Norway, speaking on behalf of the Nordic countries, said that the discussion on this item was taking place in a totally new political environment. Israel and the PLO had recognised each other, and a Declaration of Principles had been signed recently in Washington. The international community now faced the challenge of improving its assistance to the Palestinian people and contributing to building peace. Achieving a comprehensive and lasting peace in the region was dependent upon economic development. Accordingly, economic assistance on a considerable scale was required within the context of a long-term commitment by the international community.

36. The economic situation in Gaza and the West Bank called for prompt and extensive aid from bilateral donors and multilateral institutions. The peace agreement also opened up possibilities for regional economic cooperation with

a view to building common security and a common future. Notwithstanding the difficulties that the implementation of the agreement would face, it would provide opportunities to enhance confidence and extend cooperation.

37. She concluded that the broadest possible support and cooperation from the international community was required, with UNRWA and other United Nations organisations playing a key role. The specific role of each organisation, including UNCTAD, had to be clarified in the light of future developments, though UNDP and the World Bank should be given a leading role in the coordination of international assistance. The Nordic countries, already providing major assistance to the Palestinian people, were ready to contribute fully to the forthcoming international effort to promote economic and social development in the region.

38. The spokesman for the Latin American and Caribbean Group (Nicaragua), referring to the historic agreement reached between Israel and the PLO only a few days before, said that his Group wished to express its appreciation for the efforts made by both parties in the search for lasting peace in the region. The report prepared by the UNCTAD secretariat would help determine the assistance which UNCTAD could give, within its terms of reference, to the Palestinian people, taking into account regional ties and the support of the international community. His Group wished to reaffirm its full support for all efforts of the United Nations to determine the role which the United Nations system, and UNCTAD in particular, could play to contribute to the development of the Palestinian people within the context of the prospects for peaceful coexistence between Israel and Palestine.

39. The representative of Algeria said that the discussion on this item was taking place within a positive context following the signing of the peace accord in Washington, which she welcomed. The peace process, which she hoped would be comprehensive, demanded long-term support by the international community. The role of UNCTAD in this respect in the past had been useful and valuable, through the preparation of annual reports on the deteriorating economic situation in the occupied territories. She believed that UNCTAD's work should be taken into consideration, especially the intersectoral study being carried out by the Special Economic Unit, which covered 23 social and economic sectors that could benefit from international technical cooperation efforts. She believed that this study could be very useful and that the role of UNCTAD should thus be strengthened in the context of the activities of the organisations of the United Nations system which would now be entrusted with an active role in the reinforcement of the peace process.